

October 11, 2005

James Leonard  
Chairman, Committee for the Implementation of Textile Agreements  
Room H3100  
U.S. Department of Commerce  
14<sup>th</sup> and Constitution Ave, NW  
Washington, DC 20230

Dear Mr. Leonard:

The American Manufacturing Trade Action Coalition (AMTAC), National Council of Textile Organizations (NCTO), National Textile Association (NTA), and UNITE HERE! request that the Committee for the Implementation of Textile Agreements (CITA) take the necessary actions to impose a safeguard on U.S. imports from China of cotton terry and other pile towels, classified within Category 363 of the U.S. Textile and Apparel Category System. This request is made pursuant to the guidelines issued by CITA (68 F.R. 27788, May 21, 2003).

The parties submitting this request are trade associations and unions which are representative of either domestic producers of products like or directly competitive with cotton terry and other pile towels, in Category 363 or of domestic producers of components used in the production of products that are like or directly competitive with the those contained in Category 363.

For your background information, descriptions of each organization are as follows:

**AMTAC** is a not-for-profit manufacturing trade association established for the purpose of preserving and creating American manufacturing jobs through the establishment of trade policy and other measures necessary for the U.S. manufacturing sector to stabilize and grow. Its members are involved in a wide variety of manufacturing, including textiles, throughout the United States. AMTAC's office is in Washington, D.C.  
[www.amtacdc.org](http://www.amtacdc.org)

**NCTO** is a not-for-profit trade association established to represent the entire spectrum of the United States textile sector, from fibers to yarns to fabrics to finished products, as well as suppliers in the textile machinery, chemical and other such sectors which have a stake in the prosperity and survival of the U.S. textile sector. Its headquarters are in Washington, D.C., and it also maintains an office in Gastonia, NC. [www.ncto.org](http://www.ncto.org)

**NTA** is a not-for-profit trade association of companies who knit or weave fabrics in the United States, dye, print or otherwise finish fabrics in the United States, or supply fibers, yarns, or other services to the American textile industry. NTA's office is in Boston, MA.  
[www.nationaltextile.org](http://www.nationaltextile.org)

**UNITE HERE!** was formed by a merger in 2004 of UNITE (formerly the Union of

Needletrades, Textiles and Industrial Employees) and HERE (Hotel Employees and Restaurant Employees International Union). The union UNITE HERE represents more than 440,000 active members and more than 400,000 retirees throughout North America. UNITE HERE's headquarters are in New York, NY. [www.unitehere.org](http://www.unitehere.org)

It is the strong view of the petitioners that the surge in 1<sup>st</sup> and 2<sup>nd</sup> Quarter 2005 imports from China of cotton terry and other pile towels; compounded with the long-term decline in U.S. production of these products constitutes market disruption under § 11.242 of the Report of the Working Party on the Accession of China to the World Trade Organization (WTO). This rise in imports and corresponding long-term decline in domestic production has produced a steady downward trend in the domestic market share for these products according to the I/P Book published by the Office of Textiles and Apparel, International Trade Administration, U.S. Department of Commerce (OTEXA). The Petitioners also note that the increase in first quarter 2005 production compared to the previous period in 2004 was an anomaly. Significant plant closures, capacity reductions and corresponding job losses were announced by major domestic manufacturers early this year and took affect beginning in the second quarter. These announcements were directly tied to a relentless surge in imports.

In recent years, U.S. made-ups production has declined in virtually all of the major cotton and man-made fiber categories. The Petitioners assert that this decline has been the direct result of increasing imports far surpassing the growth of the U.S. market for these products. With the January 1, 2005 removal of quotas on all WTO members, imports are rising across the board, and the surge in the 1<sup>st</sup> and 2<sup>nd</sup> Quarter 2005 imports from China is disrupting the U.S. market.

CITA is well aware of the circumstances following the integration of certain categories on January 1, 2002 in which China registered enormous increases and quickly moved to dominate trade. Following the same track, U.S. imports of cotton terry and other pile towels from China skyrocketed 205 percent through the 2<sup>nd</sup> quarter of 2005. China was the 7<sup>th</sup> largest supplier with 4.5 percent share of the U.S. import market for calendar year 2004. For the year-ending June 2005, Chinese market share rose to 9.2 percent, with China rising to 3<sup>rd</sup> place. China shot up to the number one supplier with a 15 percent share, followed by Bangladesh with 13.8 percent and India with 10.5 percent, and Korea with 7.7 percent share of total imports. Through the first two quarters of 2005, China has grabbed a 13.6 percent share of the import market, with only Pakistan and India shipping more to the US market during this time.

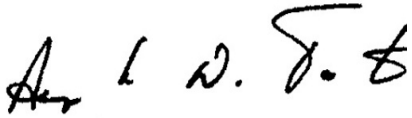
Sharp price reductions are likely a major element in the sudden surge of Chinese imports with the removal of quotas and corresponding quotas costs. A review of recent price data indicates that China's YTD June 2005 prices for cotton terry and other pile towels averaged \$2.39/unit. This average unit value is nearly 29 percent below the price in June 2004 of \$3.36/unit and 27.6 percent below the calendar year 2004 average price of \$3.30/unit. As with the surging import numbers, the large and instantaneous price drops China demonstrated so far in 2005 again follow the pattern established in 2002 with the removal of certain items from quota. In those categories integrated in 2002, China

dropped its prices by an average of 58 percent.

In sum, surging low-priced imports from China are clearly disrupting the U.S. market in Category 363. The language on safeguards in the U.S./China Protocol of Accession is based on language in the Multi-Fiber Agreement (MFA) and the WTO's Agreement on Textiles and Clothing (ATC). Both of those international agreements contained language providing for immediate action in the event of highly unusual and critical circumstances.. We believe that current circumstances are such and that prompt action is necessary irrespective of the timelines in the CITA procedures.

Thank you for your consideration of this important matter.

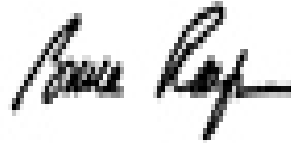
Sincerely,



Auggie Tantillo  
Executive Director  
AMTAC



Cass Johnson  
President  
NCTO



Karl Spilhaus  
President  
NTA

Bruce Raynor  
**General President**  
UNITE HERE

**Table 1:** U.S. Production, Imports, and Domestic Market Share for Cotton Terry and Other Pile Towels (Category 363) 1999-2004, January through March 2004 and 2005, and YE March 2004 and 2005

Time Period	U.S. Production (Thousand Units)	U.S. Imports	Imports From China	U.S. Domestic Market Share (Percent)	Import Market Share (Percent)	China Market Share (Percent)
1999	463,824	300,483	17,878	60.69	39.31	2.34
2000	428,352	330,858	25,011	56.42	43.58	3.29
2001	399,156	356,381	25,086	52.83	47.17	3.32
2002	338,844	395,706	25,879	46.13	53.87	3.52
2003	281,232	425,358	22,326	39.80	60.20	3.16
2004	231,036	477,136	21,477	32.62	67.38	3.03
YTD 3/04	59,220	130,053	8,262	31.29	68.71	4.37
YTD 3/05	69,528	153,619	21,887	31.16	68.84	9.81
YE 3/04	258,708	443,354	21,052	36.85	63.15	3.00
YE 3/05	241,344	500,702	35,102	32.52	67.48	4.73

Source: U.S. Imports, Production, Markets, Import Production Ratios and Domestic Market Shares for Textile and Apparel Product Categories (OTEXA/ITA/U.S. Department of Commerce)

**Table 2:** U.S. Imports of Cotton Terry and Other Pile Towels (Category 363) 1999-2004, YTD and YE July 2004 and 2005, and YTD and YE June 2004 and 2005 and YTD and YE August 2004 and 2005 (p) from the World and China: Quantity (Units), Percent Change, and China's Percent Share of the World

Time Period	U.S. Imports-Category 363 Cotton Terry and Other Pile Towels from:				
	World:		China:		
	Quantity (Units)	Percent Change	Quantity (Units)	Percent Change	Percent Share
1999	300,483,465	--	17,877,727	--	5.95
2000	330,858,106	10.11	25,011,127	39.90	7.56
2001	356,381,144	7.71	25,085,881	.29	7.04
2002	395,705,678	11.03	25,879,484	3.16	6.54
2003	425,358,449	7.49	22,326,301	-13.73	5.25
2004	477,136,181	12.17	21,477,205	-3.80	4.50
YTD June 04	247,697,346	--	14,532,239	--	5.87
YTD June 05	326,397,111	31.77	44,296,181	204.81	13.57
YE 6/04	456,999,704	--	20,300,577	--	4.44
YE 6/05	555,835,946	21.63	51,241,147	152.41	9.22
YTD 7/04	284,635,779	--	15,599,056	--	5.48
YTD 7/05	377,839,072	32.74	50,589,660	224.31	13.39
YE 7/04	459,656,782	--	20,134,565	--	4.38
YE 7/05	570,339,474	24.08	56,467,809	180.45	9.90
YTD 8/04	320,941,697	--	16,324,605	--	5.09
YTD 8/05(p)	434,326,948	35.33	60,594,976	271.19	13.95
YE 8/04	463,556,162	--	20,148,016	--	4.35
YE 8/05(p)	590,521,432	27.39	65,747,576	226.32	11.13